



# US DIRECTIONAL EQUITY DASHBOARD

As of June 30, 2024

## COMMENTARY

- On a micro-narrative basis, the wall of worry of tech valuations still seems to be largely in place; that is, any such concerns seem easily surmounted by even the most modest positive missionary statements from NVIDIA or other technology executives, especially others attached to the “AI Boom” narrative more broadly.
- At a macro-narrative level, the angling for recession-based central bank response we noted last month, however, has given way slightly to a more explicit recessionary narrative that—for the first time in this cycle—appears to be both genuine and dominant.
- In other words, a slowdown in the American consumer and perhaps in the economy more broadly is no longer just a wall of worry but strikes our narrative models as being an *actual* worry of market participants.
- The result of this is a bottom-up micronarrative which remains pro-growth, pro-AI but a top-down narrative which gives our models the most concern about equity market risk that they have had in more than 6 months.

## SIGNAL VALUES AS OF JUNE 30, 2024

SIGNAL CATEGORY	SIGNAL STATE	DIRECTION
Central Bank Policy	Unemployment	Bearish (New)
Stock Story Types	Fundamentals-Focused	Bearish (New)
Cheap Narrative	Neutral	Neutral
Expensive Narrative	Neutral	Neutral
Cheap vs. Expensive	Neutral	Neutral (New)
Fading Expensive Narrative	Falling	Bullish (New)
Rising Expensive Narrative	Neutral	Neutral
Bullish Narrative	Neutral	Neutral
Bearish vs. Bullish	Neutral	Neutral
Aggregate View		Bearish

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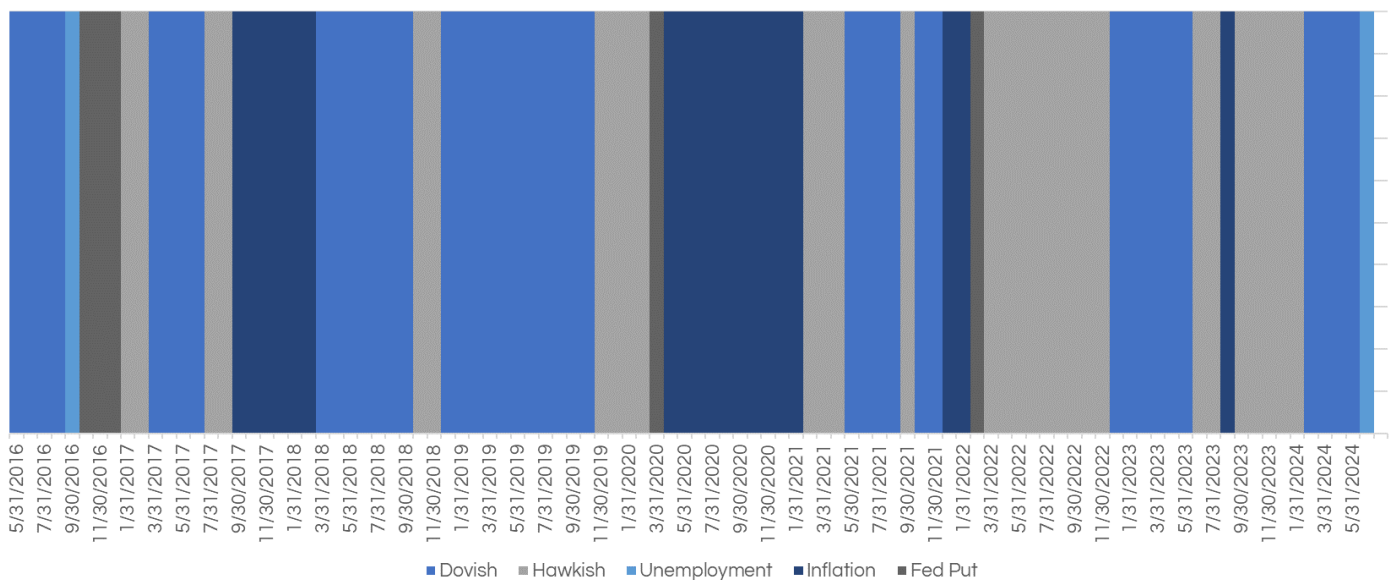
## SIGNAL REFERENCE—CENTRAL BANK POLICY

This model examines the Density and Narrative Strength / Attention of certain archetypal narratives relating to Central Bank Policy. We classify the dominant narrative among five such archetypes, which we believe reflect different states of common knowledge that both respond to and influence investor behavior. Present archetypes include Dovish, Hawkish, Inflation-Focused, Unemployment-Focused and Fed Put. Historical subsequent period results for directional S&P 500 exposure and historical states for the model are presented below.

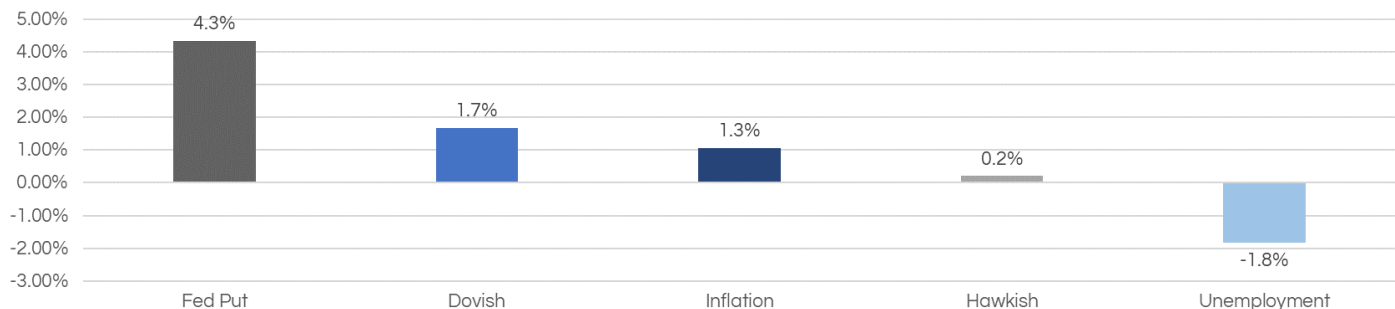
### CURRENT STATE

### UNEMPLOYMENT (BEARISH)

### HISTORICAL SIGNAL TRIGGER PERIODS



## HISTORICAL MONTHLY S&P RETURNS BY STATE



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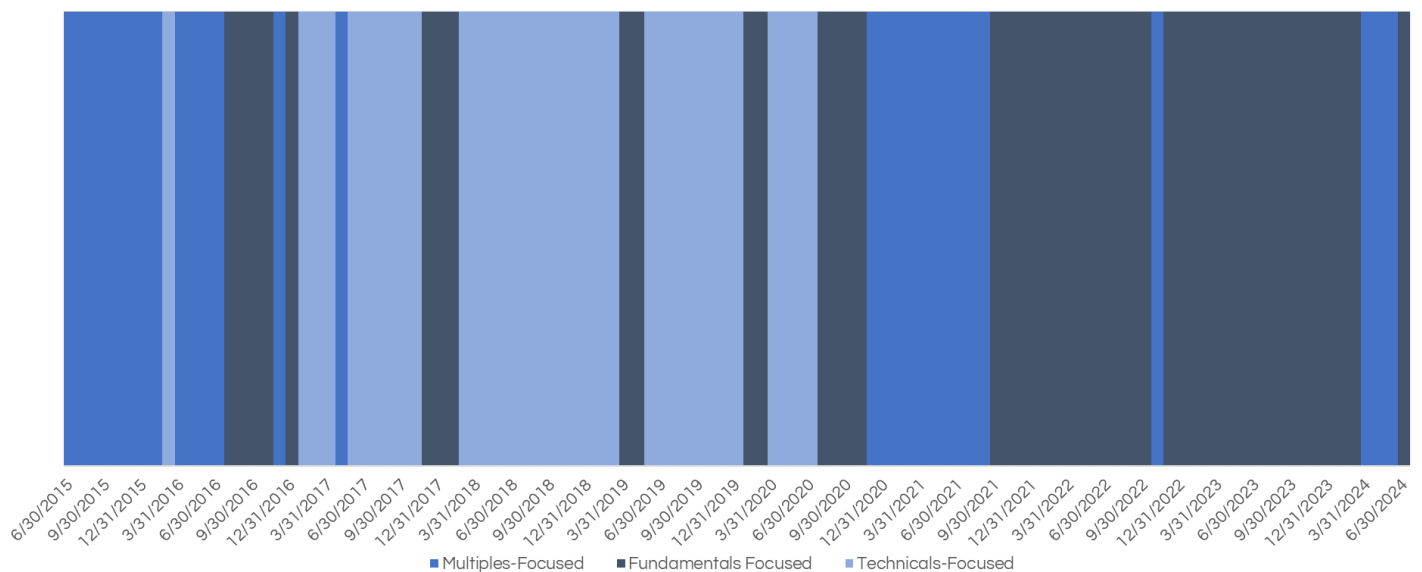
## SIGNAL REFERENCE—STOCK STORY TYPES

This model examines the Density and Narrative Strength / Attention of certain linguistic archetypes of investment theses promoted in financial media and by sell side research houses. We think there are three such archetypes: multiples-focused, technicals-focused or fundamentals-focused. That is, analysts and commentators tend to describe why investments are attractive or unattractive using one or more of those linguistic sets. We think the market's varying tendency to frame investment outcomes in terms of each of these archetypes is indicative of risk appetites.

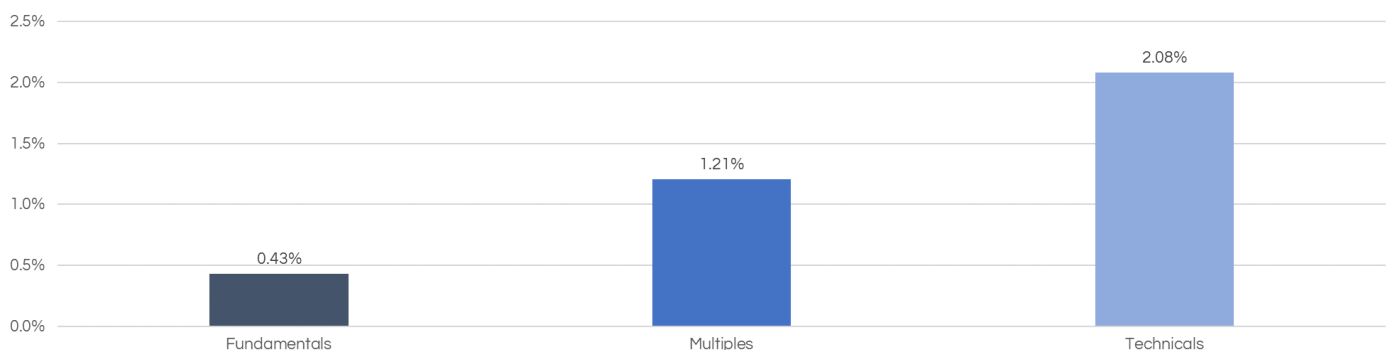
CURRENT STATE

FUNDAMENTALS-FOCUSED (BEARISH)

## HISTORICAL SIGNAL TRIGGER PERIODS



## HISTORICAL MONTHLY S&P RETURNS BY STATE



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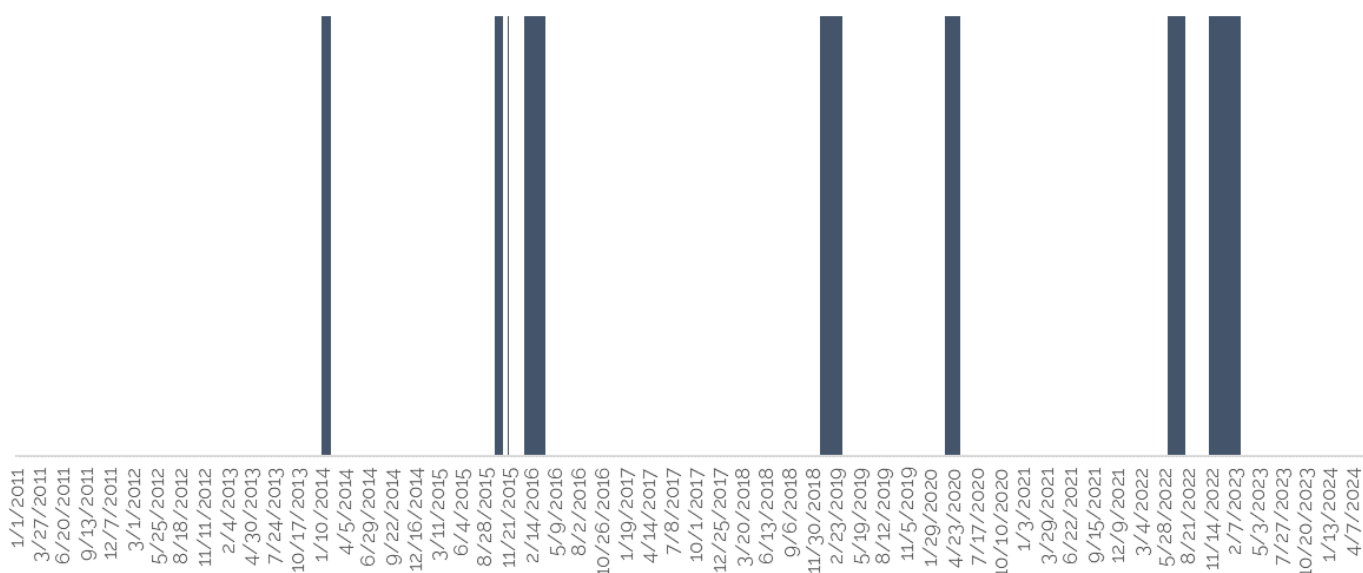
## SIGNAL REFERENCE—EXTREME CHEAP NARRATIVE

This model examines the Density and Narrative Strength / Attention of narratives describing the stock market in general as being inexpensive, cheap or a “good value.” We believe that extreme values for these language patterns may be predictive of marginal investor buying behaviors and above average forward-looking excess returns for equity markets, sectors and individual securities. **The signal indicates LONG S&P 500 exposure on an extreme value.**

CURRENT STATE

NEUTRAL

## HISTORICAL SIGNAL TRIGGER PERIODS



MOST RECENT >30 DAY TRIGGERS	ACTIVE PERIOD S&P RETURN	ANN. ACTIVE PERIOD S&P RETURN
11/10/2022—2/28/2023	5.00%	17.39%
06/10/2022—8/12/2022	6.64%	44.32%
03/24/2020—05/14/2020	27.83%	460.27%
12/28/2018—03/14/2019	13.40%	81.46%

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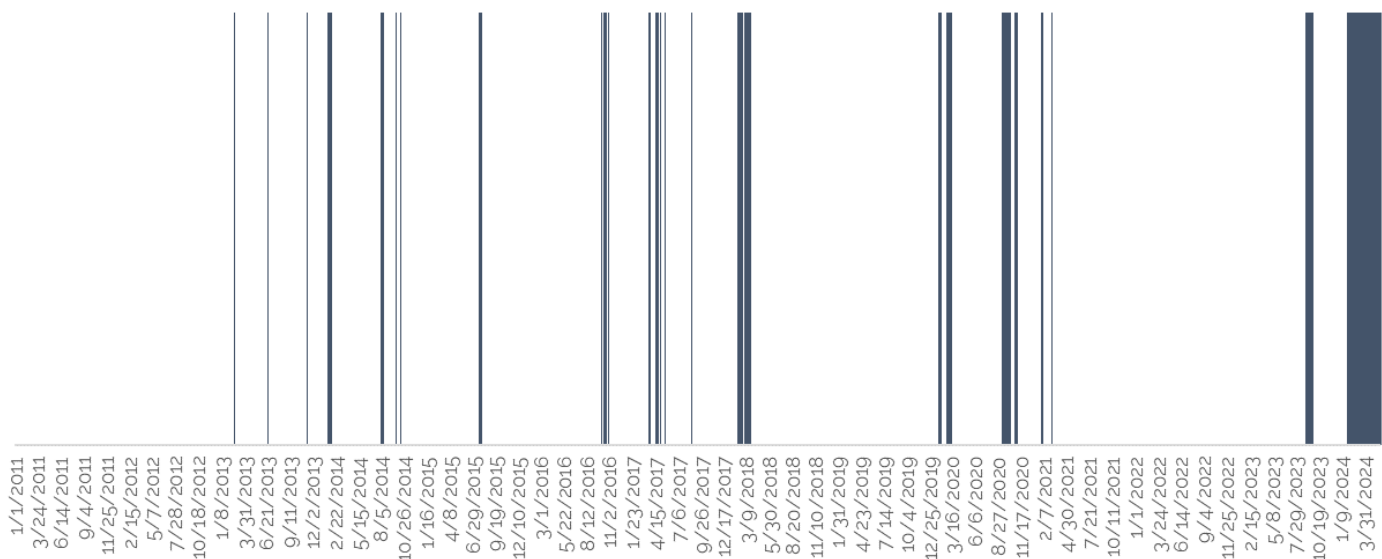
## SIGNAL REFERENCE—EXTREME EXPENSIVE NARRATIVE

This model examines the Density and Narrative Strength / Attention of narratives describing the stock market in general as being expensive or overpriced. We believe that extreme values for these language patterns may be predictive of marginal investor selling behaviors and below average forward-looking excess returns for equity markets, sectors and individual securities. **The signal indicates SHORT or REDUCED S&P 500 exposure on an extreme value.**

CURRENT STATE

NEUTRAL

## HISTORICAL SIGNAL TRIGGER PERIODS



MOST RECENT TRIGGERS	ACTIVE PERIOD S&P RETURN	ANN. ACTIVE PERIOD S&P RETURN
02/01/2024—5/31/2024	7.40%	24.02%
09/05/2023—09/30/2023	-5.37%	-53.91%
09/04/2020—11/04/2020	-0.13%	-0.75%
02/25/2020—03/20/2020	-28.42%	N/A

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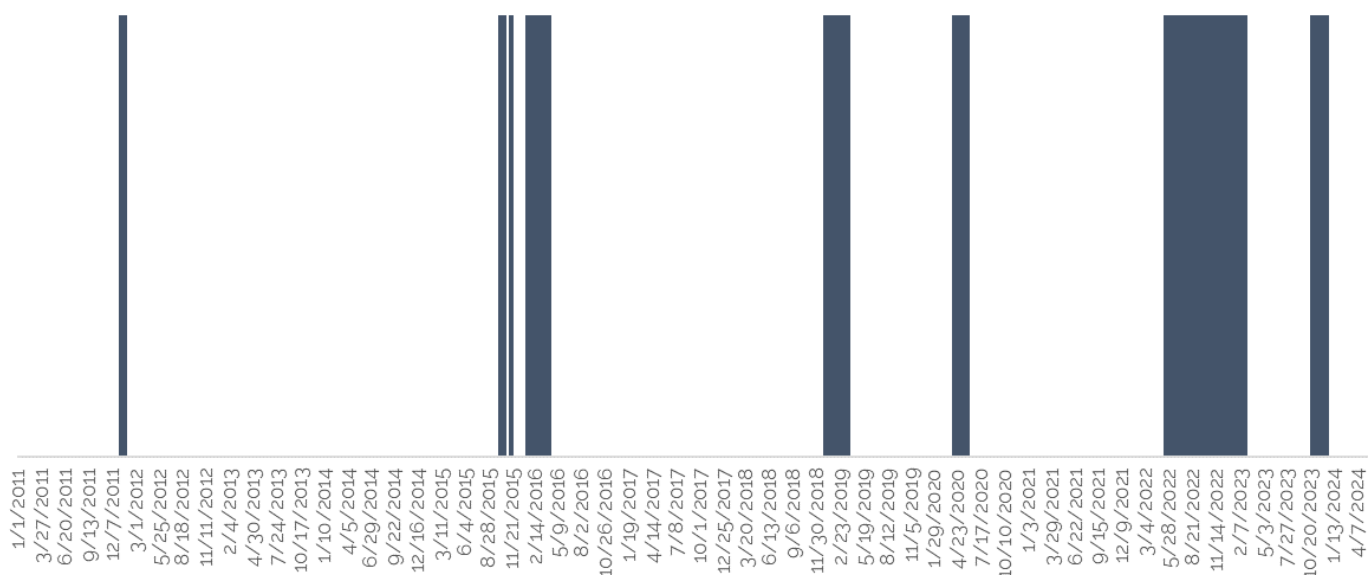
## SIGNAL REFERENCE—CHEAP VS. EXPENSIVE

This model examines the relative deviation of the Density and Narrative Strength / Attention of narratives describing the stock market as being cheap and expensive, respectively, relative to their historical norms. In short, we believe that the *relative dominance* of cheap archetypal language over expensive archetypal language may be predictive of investor risk-taking behaviors above and beyond the raw value of the density and influence of cheap language itself. **The signal indicates LONG or INCREASED S&P 500 exposure on an extreme value differential in favor of Cheap language.**

CURRENT STATE

NEUTRAL

## HISTORICAL SIGNAL TRIGGER PERIODS



MOST RECENT >30 DAY TRIGGERS	ACTIVE PERIOD S&P RETURN	ANN. ACTIVE PERIOD S&P RETURN
10/23/2023—12/31/2023	10.92%	71.68%
05/13/2022—03/08/2023	0.45%	0.54%
04/08/2020—06/05/2020	20.53%	217.34%
12/26/2018—03/29/2019	21.23%	111.15%

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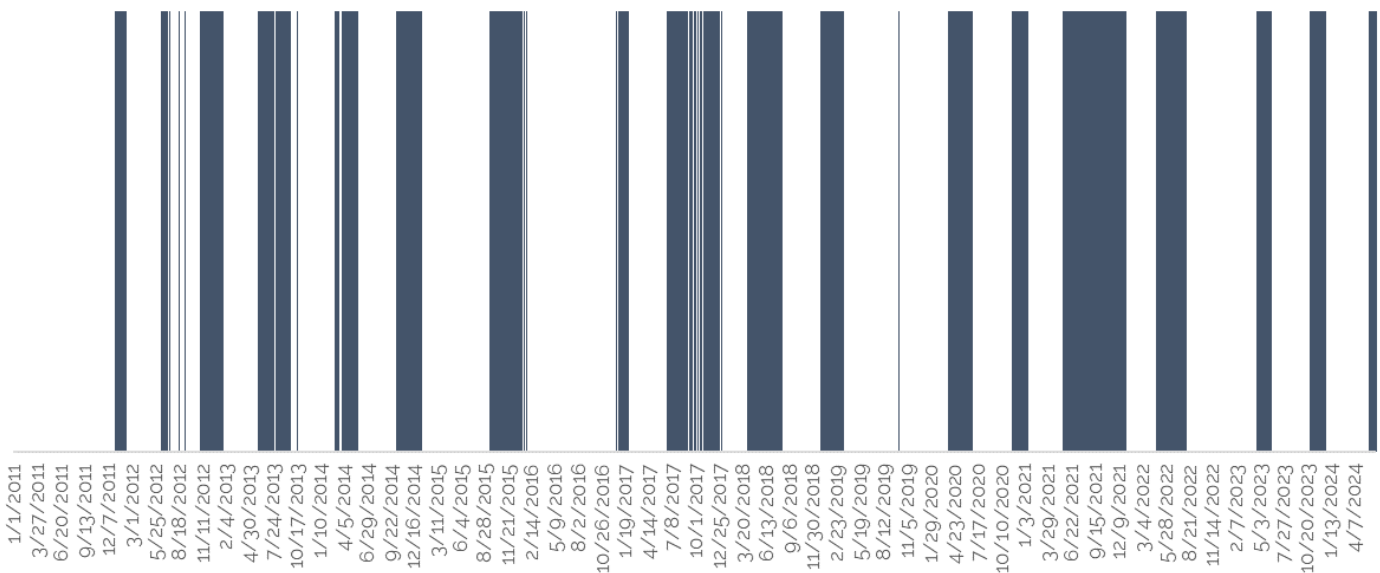
## SIGNAL REFERENCE— FADING EXPENSIVE NARRATIVE

This model examines the rate of change of the Density and Narrative Strength / Attention of narratives describing the stock market as being expensive. In short, we believe that sharp rates of change in the use of archetypal language in favor of cheapness may be predictive of investor risk-taking behaviors above and beyond the raw value of the density and influence of cheap language itself. **The signal indicates INCREASED S&P 500 exposure on a rapid shift away from Expensive archetypal language.**

CURRENT STATE

FALLING (BULLISH)

## HISTORICAL SIGNAL TRIGGER PERIODS



MOST RECENT >30 DAY TRIGGERS	ACTIVE PERIOD S&P RETURN	ANN. ACTIVE PERIOD S&P RETURN
11/02/2023—12/31/2023	12.29%	102.47%
04/24/2023—06/14/2023	5.36%	44.26%
04/27/2022—8/11/2022	1.18%	4.07%
05/24/2021—01/04/2022	16.38%	27.91%

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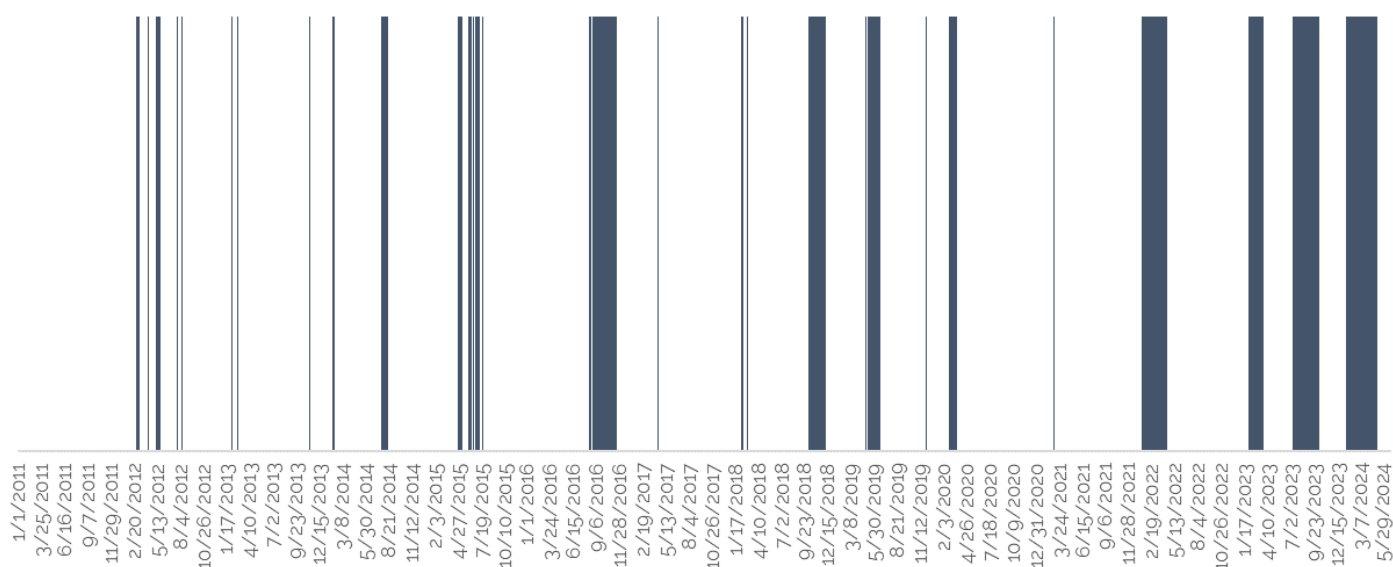
## SIGNAL REFERENCE— RISING EXPENSIVE NARRATIVE

This model examines the rate of change of the Density and Narrative Strength / Attention of narratives describing the stock market as being expensive. In short, we believe that sharp rates of change in the use of archetypal language in favor of cheapness may be predictive of investor risk-taking behaviors above and beyond the raw value of the density and influence of cheap language itself. **The signal indicates REDUCED S&P 500 exposure on a rapid shift toward Expensive archetypal language.**

CURRENT STATE

NEUTRAL

## HISTORICAL SIGNAL TRIGGER PERIODS



MOST RECENT >30 DAY TRIGGERS	ACTIVE PERIOD S&P RETURN	ANN. ACTIVE PERIOD S&P RETURN
01/22/2024—5/31/2024	5.62%	20.70%
07/11/2023—10/12/2023	-4.98%	-18.00%
02/03/2023—03/24/2023	5.24%	45.22%
01/18/2022—04/13/2022	-3.77%	-15.06%

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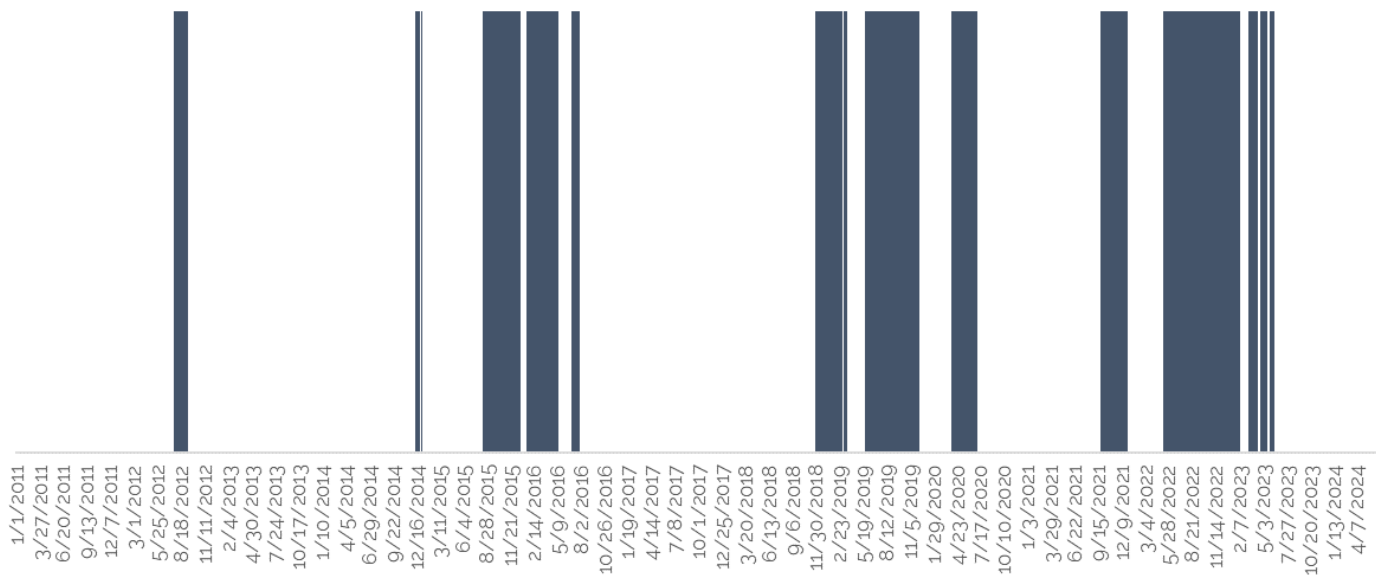
## SIGNAL REFERENCE— BEARISH VS. BULLISH

This model examines the relative deviation of the Density and Narrative Strength / Attention of narratives describing using the tropes and linguistic patterns of bullish and bearish archetypes, respectively, relative to their historical norms. We believe that the *relative dominance* of bearish over bullish archetypes may be indicative of a narrative structure saturated by pessimism in ways that create upside asymmetry to individual assets and risky assets more broadly. The signal indicates LONG or INCREASED S&P 500 exposure on an extreme value differential in favor of Bearish language.

CURRENT STATE

NEUTRAL

## HISTORICAL SIGNAL TRIGGER PERIODS



MOST RECENT >30 DAY TRIGGERS	ACTIVE PERIOD S&P RETURN	ANN. ACTIVE PERIOD S&P RETURN
05/10/2022—02/09/2023	0.40%	0.53%
09/27/2021– 12/29/2021	7.96%	34.62%
04/06/2020—07/02/2020	26.38%	164.11%
05/29/2019—12/06/2019	12.74%	25.61%

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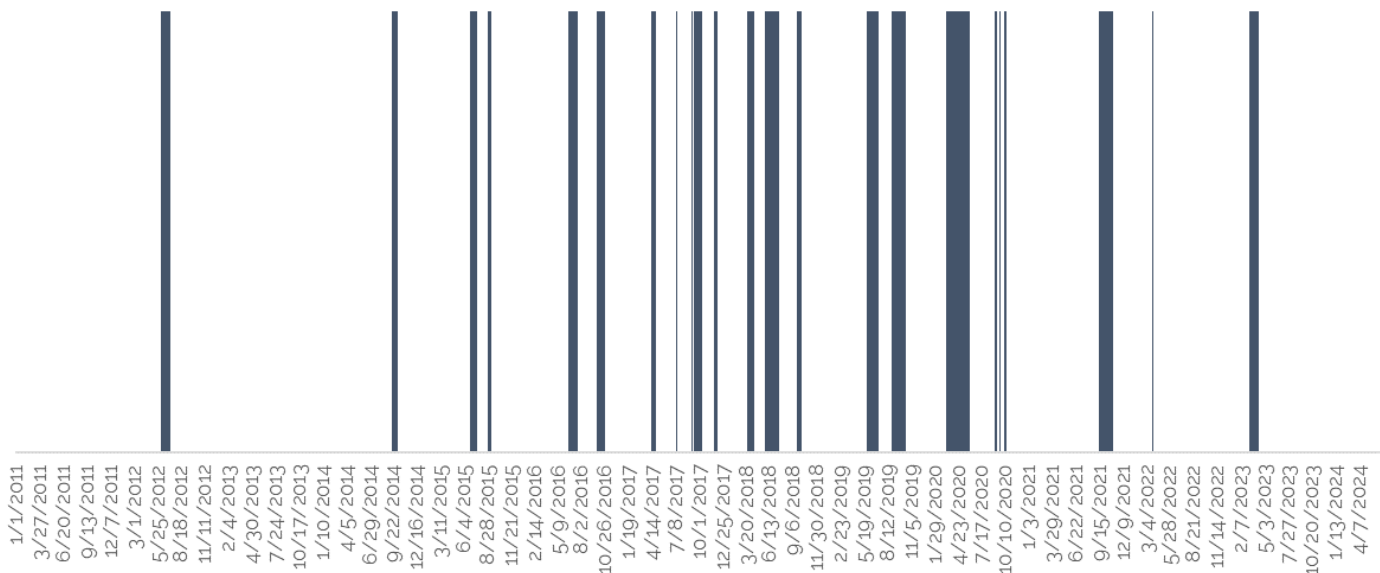
## SIGNAL REFERENCE— BULLISH NARRATIVE

This model examines the rate of change of the Density and Narrative Strength / Attention of narratives describing bull cases for individual assets or the market in general. We believe that bull case language tends to gain influence after the case has been demonstrated in market performance—thus, it is the relative absence of bull case narratives that we expect to be moderately predictive of above average returns. **The signal indicates INCREASED S&P 500 exposure on a low density/influence of Bullish archetypal language.**

CURRENT STATE

NEUTRAL

## HISTORICAL SIGNAL TRIGGER PERIODS



MOST RECENT >30 DAY TRIGGERS	ACTIVE PERIOD S&P RETURN	ANN. ACTIVE PERIOD S&P RETURN
09/15/2021—11/03/2021	4.36%	39.25%
03/13/2020—06/05/2020	29.39%	202.32%
08/30/2019—10/15/2019	2.58%	21.87%
05/31/2019—07/12/2019	8.33%	97.22%

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